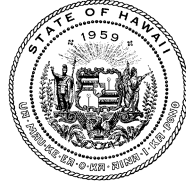


NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

LATE

To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance

Date: Monday, April 1, 2013
Time: 2:00 p.m.
Place: Conference Room 308, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. No. 492 S.D. 2 H.D. 1 Relating to Tobacco Products

The Department of Taxation (Department) **appreciates the intent** of S.B. 492 S.D. 2, H.D. 1 to tax tobacco in all forms equitably and offers the following comments for your consideration.

S.B. 492 S.D. 2 H.D. 1 is intended to replace, beginning January 1, 2014, the current tax rate of 70% of the wholesale price on tobacco products other than cigarettes, little cigars and large cigars with a rate of \$3.20 per ounce on such tobacco products. The measure also remits a portion of the revenue collected on such tobacco products to four different special funds.

The Department notes that true equality between the tax on cigarettes and the tax on other tobacco products is very difficult. The tax on cigarettes is imposed per cigarette, and any given cigarette may contain different amounts of tobacco in it depending on the brand and variety, meaning the tax on each different pack of cigarettes has a different ratio of tax to weight of tobacco. Therefore, it is difficult to impose a tax based on the weight of other tobacco products that is truly equitable.

However, the Department believes the rate of \$3.20 per ounce is both significantly more equitable than the current rate and easy to administer. A rate of \$3.20 per ounce equates to one ounce of tobacco in a pack of cigarettes. Based on the Department's research, one ounce per pack is close to the market average, though there are packs of cigarettes in the market that contain both significantly more, and significantly less, tobacco per pack.

Thank you for the opportunity to provide comments.



LATE

STATE OF HAWAII
DEPARTMENT OF HEALTH
P.O. Box 3378
HONOLULU, HAWAII 96801-3378

In reply, please refer to:
File:

**HOUSE COMMITTEE ON FINANCE
SB0492SD2HD1, RELATING TO TOBACCO PRODUCTS**

**Testimony of Loretta J. Fuddy, A.C.S.W., M.P.H.
Director of Health**

**April 1, 2013
2:00 PM, Room 308**

1 **Department's Position:** The Department of Health (DOH) supports SB0492SD2HD1 with suggestions
2 to provide parity between other tobacco products with the current tax on cigarettes. The DOH will defer
3 to the Department of Taxation on those matters relating to implementing the taxation formula and
4 revenue generation.

5 **Fiscal Implications:** Potential revenue for four designated special funds

6 **Purpose and Justification:** SB0492SD2HD1 provides for the imposition of an excise tax on tobacco
7 products (excluding large cigars) at a rate of \$3.20 per net ounce. The DOH supports an amount that
8 would provide parity with the current tax on cigarettes. The DOH, however, questions the proposed
9 weight-based formula as it will not achieve tax parity between cigarettes and other tobacco products
10 (OTP). Using this weight-based formula will actually lower the tax for loose tobacco. An excise tax in
11 the amount of 102% of wholesale value has been recommended by the National Campaign for Tobacco-
12 Free Kids and the American Cancer Society to achieve parity.

13 The DOH suggests the following language: "An excise tax equal to 102 percent of the wholesale
14 price of each article or item of tobacco products, other than cigars, and equal to fifty percent of the
15 wholesale price for large cigars sold by the wholesaler or dealer on or after July 1, 2013, whether or not

1 sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer.”

2 The DOH supports efforts to establish a minimum tax on these products that is comparable to the
3 current and any future tax on cigarettes. OTPs are currently taxed lower than cigarettes, yet are
4 similarly addictive and dangerous. They present a significant health risk leading to cancer, heart
5 disease, respiratory illnesses, and other serious diseases. Adult and youth smokers are attracted to
6 purchase the less expensive tobacco products, including smokeless, loose, or roll-your-own tobacco.
7 These pose a danger as gateway products that can lead to habitual tobacco use, including smoking and
8 long term addiction to nicotine.

9 As part of Hawaii’s and the Centers for Disease Control and Prevention’s overall comprehensive
10 approach to tobacco control, increasing the price of tobacco products by raising tax rates reduces the
11 demand for the products, which, in turn, leads to significant reductions in the use of tobacco by current
12 consumers and in the initiation of tobacco use by youth.

13 The National Campaign for Tobacco-Free Kids reports that smoking and tobacco use are the
14 leading cause of preventable death and disease in Hawaii, claiming 1,100 lives each year and creating
15 \$656 million in annual health care and lost productivity costs. This economic burden translates to \$617
16 per household in the state.

17 The DOH appreciates the intent to provide additional revenue to the four designated special
18 funds.

19 Thank you for the opportunity to testify on this measure.



LATE

To: The Honorable Sylvia Luke, Chair, Committee on Finance
The Honorable Scott Nishimoto, Vice Chair, Committee on Finance
The Honorable Aaron Ling Johanson
Members, House Committee on Finance
From: Jessica Yamauchi, Executive Director
Date: March 31, 2013
Hrg: House Committee on Finance; Mon. April 1 at 2:00 PM, Room 308
Re: **Support for SB 492, SD2, HD 1 Relating to Tobacco Products**

Thank you for the opportunity to testify in support of SB 492, SD2, HD 1, which raises the taxes on other tobacco products to achieve parity between cigarette taxes and other tobacco products (OTP). We would like to offer recommendations to achieve true tax parity between cigarettes and other tobacco products.

The Coalition for a Tobacco Free Hawaii (Coalition) is an independent organization in Hawaii working to reduce tobacco use through education, policy and advocacy. Our organization is a small nonprofit organization of over 100 member organizations and 2,000 advocates that works to create a healthy Hawaii through comprehensive tobacco prevention and control efforts.

Health is Promoted By Increasing the Tax on Tobacco Products Other Than Cigarettes

By increasing the cost of each tobacco product sold and making it comparable to cigarettes, tobacco use by adults and young people will decrease. This will result in a decline in the serious health conditions that arise from use of smokeless tobacco including cancer of the esophagus pharynx, larynx, stomach, and pancreas, gum disease, and the risk of cardiovascular disease, and a decrease in the diseases caused by smoking roll-your-own tobacco.

Adolescents and young adults are two to three times more sensitive to tobacco price changes than adults—when price increases, less youth will begin to start using smokeless tobacco and other tobacco products and more will reduce their consumption. Hawaii has seen youth use of smokeless tobacco fluctuate despite our decreasing smoking rates.

Recommended Language to Achieve Parity in Taxes on Cigarettes & Other Tobacco Products

The current language in the bill does not achieve tax parity between cigarettes and other tobacco products because it sets the \$3.20 tax rate per ounce. This amount is too low for loose smoking tobacco which is sold by roll-your-own shops (RYO). According to the National Campaign for
320 Ward Avenue, Ste. 212 • Honolulu, HI 96814 • (808) 591-6508 • www.tobaccofreehawaii.org



Tobacco-Free Kids (TFK) a 20-pack of cigarettes contains 0.65 ounces of tobacco, which would equal \$2.08 with the proposed tax rate, compared to the current tax rate of \$3.20 for a 20-pack of cigarettes. TFK recommends the following language to achieve tax parity between cigarettes and OTPs:

An excise tax equal to 102 percent (currently the tax is 70%) of the wholesale price of each article or item of tobacco products, other than cigars, and equal to fifty percent of the wholesale price for large cigars sold by the wholesaler or dealer on and after July 1, 2013, whether or not sold at wholesale, or if not sold then at the same rate upon the use by the wholesaler or dealer, except that:

- (1) for roll-your-own tobacco and any other loose tobacco meant for smoking, there shall be a minimum tax equal to the amount of the total tax on a pack of twenty cigarettes established by this chapter per 0.65 ounces with a proportionate tax on any other weights, based on the net weight as provided in good faith by the manufacturer, and all such tobacco products that are sold in packages less than 0.65 ounces shall be taxed as if they were 0.65 ounces

Hawaii has seen a number of roll-your-own shops offering cigarettes at half the price of manufactured cigarettes. These shops are exploiting the loophole of lower taxes on OTPs, selling loose tobacco (taxed at a lower price), then allowing customers to roll their own cigarettes in the shop. We estimate that there are at least eleven roll-your-own shops in Hawai'i; likely, there are more shops than we have been able to find. These shops are strategically located near college campuses, military bases, and tourist areas—and they are able to advertise lower prices by taking advantage of this tax loophole.

A Portion of the Revenues Must Be Earmarked for Tobacco Prevention and Treatment

Hawaii residents overwhelmingly agree (89 percent in our last poll) that it's important for the state to earmark some of the revenue to fund tobacco prevention and quit smoking programs. When the price of tobacco increases, more seek help to quit. It's necessary we have community resources including the Quitline, the American Lung Association, and services at community health centers to help tobacco users address their nicotine addiction. We ask that you earmark a portion of these new funds to tobacco prevention and tobacco dependence treatment services.



The Coalition requests your consideration of the recommended changes and your support of creating parity between other tobacco products and cigarettes.

Thank you for the opportunity to testify on this matter.

A handwritten signature in black ink, appearing to read "Jessica Yamauchi". The signature is fluid and cursive.

Jessica Yamauchi, M.A.
Executive Director



American Cancer Society
Cancer Action Network
2370 Nu`uanu Avenue
Honolulu, Hawai`i 96817
808.432.9149
www.acscan.org

LATE

House Committee on Finance
Representative Sylvia Luke, Chair
Representative Scott Nishimoto, Vice Chair
Representative Aaron Ling Johanson, Vice Chair

Hearing: April 1, 2013; 2:00 p.m.

SB 492, SD2, HD1 – RELATING TO TOBACCO PRODUCTS
Cory Chun, Government Relations Director – Hawaii Pacific
American Cancer Society Cancer Action Network

Thank you for the opportunity to provide testimony in support, with specific recommendations, of SB 492, SD 2, HD 1, amending the excise tax on other tobacco products beginning January 1, 2014, and depositing the proceeds into specified funds.

The American Cancer Society Cancer Action Network (ACS CAN), the advocacy affiliate of the American Cancer Society, is the nation's leading cancer advocacy organization. ACS CAN works with federal, state, and local government bodies to support evidence-based policy and legislative solutions designed to eliminate cancer as a major health problem.

The purpose of this measure is to ensure tax parity between cigarettes and other tobacco products. ACS CAN supports eliminating price discrepancies between cigarettes and other tobacco products by increasing the tax on a package of other tobacco products to an equivalent percentage of the manufacturer's price as the tax on cigarettes. It would also address roll-your-own tobacco shops, which advertise the sale of cigarettes lower than the price for traditional cigarettes. These roll-you-own cigarette shops effectively circumvent the cigarette tax by selling loose tobacco, which is taxed at a lower rate, and then allowing customers to make their own cigarettes.

We recommended increasing the tax of the wholesale price on other tobacco products to 102% of the wholesale price from 70%, which is the recommended level in order to ensure parity with the current tax on cigarettes.

We would also support an amendment to the current version of the measure of \$3.20 per 0.65 oz instead of \$3.20 per one net ounce. The reason for 0.65 oz is that there is approximately 0.0325 ounces of roll-your-own tobacco in each roll-your-own cigarette (0.65 oz. per pack). Federal tax law and the Master Settlement Agreement each take 0.0325 ounces of roll-your-own tobacco to equal one cigarette. By equalizing the tax on other tobacco products in this manner, it better ensures a more equitable tax among all tobacco products, especially loose tobacco used in roll-your-own cigarettes.

Thank you for the opportunity to provide testimony on this important issue.

LATE TESTIMONY

April 1 2013

To the Honorable Chairperson of the Hawaii State Senate Finance Committee and Committee Members:

DATE: Monday, April 01, 2013

TIME: 2:00 P.M.

PLACE: Conference Room 308

State Capitol

415 South Beretania Street

RE: SB 492 Relating to tobacco products

I am the owner and operator of Let's Roll Hawaii. I want to voice my opposition to SB492 because it is UNFAIR, UNCONSTITUTIONAL and PREJUDICED.

I started Let's Roll Hawaii because I realized that smokers could get off of manufacture cigarettes that were loaded with hundreds of chemicals and could use chemical free tobacco. If they just took a little bit of time and "rolled their own", they could use natural tobacco without all the chemicals. Smoking is recognized by the state and the medical profession as a disease. For many years, advocates against smoking spent millions of dollars on ads telling us about how many chemicals are in cigarettes. We have removed the chemicals, but still they are not satisfied. Now they are spending millions of dollars on ads telling us we could spend up to \$100,000 in our lifetime on cigarettes, but what they don't tell is that 70% or \$70,000 of that money goes to taxes which fund the groups that run the ads. I have attended most of the hearings on SB492 and most of the people who favor SB492 want or will get a cut of the new taxes to support their causes. What hypocrisy!!! SB492 is UNFAIR, UNCONSTITUTIONAL and PREJUDICED!!!!

We are already paying 70% State taxes on the wholesale. If the tax is changed to \$3.20 per ounce as proposed in SB492, it will raise the tax on "roll your own" tobacco up 1200%!!!! State taxes alone would be over \$50.00 per pound. I understand that those who support SB492 feel that people who "roll their own cigarettes" should pay the same taxes as those who buy manufactured cigarettes. What these people forget is that Hawaii raised the taxes on manufactured cigarettes 12 times over a 14 year period. My customers and I feel that SB492 proposes changes to the taxes from a percentage basis to a weight basis which are UNFAIR, UNCONSTITUTIONAL and PREJUDICED against people who chose to purchase their tobacco legally from a local store with all taxes paid. The purpose of SB492 as stated within the bill is to target the "roll your own" and I feel that targeting the "roll your own" industry is UNFAIR, UNCONSTITUTIONAL and PREJUDICED. To be "fair", give our industry 14 years to "catch up" to the cigarette taxes. **NO other product in the State of Hawaii has ever had taxes raised by 1,200% in one year. This is UNFAIR, UNCONSTITUTIONAL and PREJUDICED!**

While our stores work the front lines in the tobacco industry, we are hearing that a bill like SB492 will likely have unforeseen effects on Hawaii. SB492 will drive many people away from purchasing their "roll your own" tobacco from legitimate stores like ours where the State receives tax revenue to alternative sources where the State will lose 100% of the associated taxes. SB492 will also encourage further growth in Hawaii's black market which is already out of control.

The Tax Foundation has said, "It should be noted that while this measure seems to be aimed at cigarette users who attempt to evade the tax on cigarettes by purchasing loose tobacco and "rolling their own"

cigarettes, imposing a tax that is greater than the tax base would appear to be confiscatory and would be likely subject to litigation. If the intent is to stop people from smoking, then a total ban on consumption certainly would achieve that goal. But like Prohibition, such a ban would only lead to criminal and covert ways to avoid the ban, creating an even greater problem for enforcement. On the other hand, it appears that the beneficiaries enjoy the largesse of the tax even though it is counterproductive to their stated goal. After all, a total ban on consumption of these products would mean a loss of funding for these programs. So which will it be - enjoyment of the financial windfall or stopping the use of tobacco altogether? "

The Director of the State of Hawaii Department of Taxation has said, "The Department estimates this measure would result in a decrease to the general fund of \$5.9 million per year. There would be an estimated gain of \$7.8 million per year to the Hawaii Cancer Research Special Fund."

In closing, I would like to say that I respect the views of people who favor SB492. I wish they would respect mine and my customers' constitutional right to smoke tobacco products without trying to force their views onto us by supporting a bill like SB492 which would burden Hawaii "roll your own" smokers with extreme taxes and force them back to smoking chemical laden cigarettes. Shame on you.

Thank you for the opportunity to express my comments.

Sincerely,

William Edwards
President, Let's Roll Hawaii

Tobacco Harm Reduction (THR), Proposed Hawaii Other Tobacco Products (OTP) Tax Increase

My name is John Radcliffe and I am here to express my opposition to SB 492 on behalf of my client RAI Services Company, which is an affiliate of R.J. Reynolds Tobacco Company, a tobacco product manufacturer.

Background to SB 492

SB 492 would increase the tax on Other Tobacco Products from 70% to an “unspecified amount. In the bill it states, that “tobacco products other than cigarettes are currently taxed at a lower rate than cigarettes, even though their use carries similar health risks.” **This tax increase and that statement in the proposed legislation sends a message that smokeless tobacco products are just as harmful to public health and costly to the state as cigarette smoking, which numerous scientific studies says are not true.**

Other Tobacco Products in Hawaii

The Other Tobacco Product category in Hawaii is primarily made up of smokeless tobacco products, such as moist snuff which are pictured below.

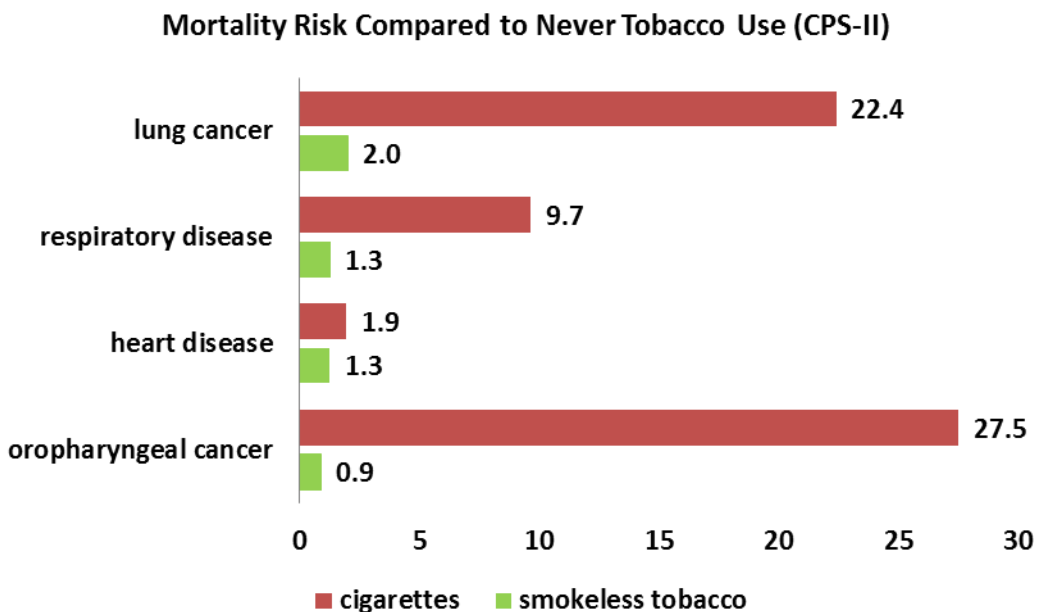


Tobacco Harm Reduction

While it is true that there is no such thing as a “safe” tobacco product, a significant and growing body of science shows that the health risks associated with smokeless tobacco products are significantly lower than the risks associated with cigarettes. Cigarette smoking results in exposure to nicotine along with tobacco- and combustion-related toxicants, and is associated with an increased risk for developing chronic diseases. Largely due to the inhalation of combustion by-products, cigarette smoking significantly increases the risk of developing respiratory tract cancers (oropharyngeal, laryngeal and lung), cardiovascular disease (CVD), and chronic obstructive pulmonary disease (COPD).

In contrast, smokeless (non-combustible) tobacco products are largely devoid of combustion-related toxicants; hence, their use results in exposure primarily to nicotine, along with other tobacco toxicants found naturally in tobacco leaf or as a result of processing. The use of smokeless tobacco products is not associated with most smoking-related cancers or to pulmonary disease.

The graph shows the major diseases caused by cigarette smoking and the risk posed by smokeless tobacco products:



Risks relative to reference population of non-tobacco users (RR = 1.00); asterisk represents statistical difference from non-tobacco users; † not replicated in other studies.

A majority of the science around smokeless tobacco products shows that these products are at least 90 percent less risky than cigarette smoking. Therefore, good public tax and health policy should give consumers all of the facts about the array of tobacco products. Equalizing the OTP tax rate to the cigarette tax rate is not good public policy.

Scientific Studies on Tobacco Harm Reduction

Here is what some in the public health community have said about THR and relative risk for various tobacco products:

“Consumption of smokeless tobacco products is 10 to 1,000 times less hazardous than smoking.”

Royal College of Physicians (2002)

“ACSH bases its position on a comprehensive review of the existing scientific and medical literature, which shows that smokeless tobacco is at least 98 percent safer than smoking cigarettes and can serve as an effective cessation aid.”

American Council on Science and Health (2012)

"Smokers have a right to be informed of significant harm reduction options."

Lynn T. Kozlowski, dean of the School of Public Health and Health Professions at
University at Buffalo (Wall Street Journal, Sept. 2006)

"Harm reduction is a fundamental component of many aspects of medicine and, indeed, everyday life, yet for some reason effective harm reduction principles have not been applied to tobacco smoking. This report makes the case for radical reform of the way that nicotine products are regulated and used in society. The ideas we present are controversial, and challenge many current and entrenched views in medicine and public health. They also have the potential to save millions of lives. They deserve serious consideration."

Royal College of Physicians (2007)

"More than 90% smoking-related deaths are due to lung cancer, other pulmonary diseases, and cardiovascular diseases among smokers; and deaths in non-smokers from environmental tobacco smoke. Switching to smokeless tobacco would eliminate these risks. There is no disease for which the risk from smokeless tobacco is greater than the risk for smoking.

American Association of Public Health Physicians (2008)

"Yet many tobacco control advocates generally dismiss the idea of harm reduction in favor of an abstinence-only (or "quit-or-die") orientation. The result is that these tobacco control advocates often sound more like moralists seeking to save souls rather than health campaigners seeking to save lives. This is consistent with what has been experienced in numerous other public health campaigns throughout history and a critical question for future policy directions is just how quickly tobacco control efforts can evolve to become more pragmatic rather than dogmatic."

David Sweanor, law professor at the University of Ottawa (2008)

"The worst that you can say about smokeless tobacco is that it's the lesser of two evils. I don't think we have any problem in telling a person that drinks a six-pack a day that if they could cut it back to two beers a day or two drinks a day that their health risks are greatly reduced. Finding a way to let people have their nicotine that carries less risk, it's the realistic solution."

Dr. Randall Thomas, oncologist with Owensboro (KY) Medical Health System (USA Today Oct. 2011)

"Nevertheless, there is little doubt that, if all smokers in the U.S. suddenly switched from smoked cigarettes to smokeless tobacco- *and stayed switched* - we would see far fewer cancers and less heart disease 20 years from now (although we would also see an increased number of oral cancers)."

Thomas J. Glynn, director of cancer science and trends for the American Cancer Society (2011)

Tobacco Harm Reduction in Other States

States are starting to take action. For example, Indiana and Kentucky, have accepted and written into law the Tobacco Harm Reduction concept. In 2005, Kentucky Gov. Ernie Fletcher, who is also a physician, advocated the state legislature to structure tobacco taxation based on relative risk as a part of his tax modernization plan. Governor Fletcher said at the time, “[T]axing tobacco products according to relative risks is a rational tax policy and may well serve the public health goal of reducing smoking-related mortality and morbidity and lowering health care costs associated with tobacco-related disease.”

Nebraska’s non-partisan, unicameral legislature passed a resolution supporting Tobacco Harm Reduction in 2012. The resolution states “the Legislature recognizes the importance of Tobacco Harm Reduction strategies as an additional policy choice to assist cigarette smokers in quitting.”

In conclusion, based on the concept of tobacco harm reduction it does not make sense to increase the tax on tobacco products and therefore, I ask the Committee to defeat SB 492. Thank you for your time.

FINTestimony

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Monday, April 01, 2013 5:52 AM
To: FINTestimony
Cc: mz9995@hotmail.com
Subject: Submitted testimony for SB492 on Apr 1, 2013 14:00PM

SB492

Submitted on: 4/1/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Zehner	Hawaii Smokers Alliance	Oppose	Yes

Comments: This State's tobacco taxes are already vastly too high. We are strongly opposed to any more attacks on constituents with regressive tax hikes such as this one.

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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To: FINTestimony
Cc: andypoolservice@aol.com
Subject: Submitted testimony for SB492 on Apr 1, 2013 14:00PM

SB492

Submitted on: 4/1/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Andrew Mertz	Smart Business Hawaii	Oppose	No

Comments: Smart Business Hawaii, which represents more than 1,000 Hawaii businesses, is opposed to SB 492. Hawaii's small businesses and consumers are already overtaxed. This proposal seeks to increase taxes on tobacco products by changing the tax on other tobacco products from the already high 70% of the wholesale price to \$3.20 per ounce – a 104% increase. The proposed tax increase could cost a typical Hawaii consumer approximately an additional \$445 per year. • Tax increases could further weaken the economy by suppressing consumer spending, straining household budgets, and curbing retailer sales. • Adult tobacco consumers should not be singled out for an additional financial burden in these tough economic times. • SB 492 could raise the price of a single tin of moist smokeless tobacco like Copenhagen by over 30% percent. The large scale tobacco tax increase proposed in SB 492 could raise the incentive for illegal tobacco sales and importation of contraband tobacco products. Contraband activity could result in lower-than-expected revenues to the state government and could harm the bottom line of Hawaii's over 1,700 legitimate retailers who sell other tobacco products. Please do not support this legislation.

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LATE

April 1, 2013

House Finance Committee
Senate Bill 492

I am opposed to Senate Bill 492 which imposes a \$3.20 per ounce tax on tobacco products in the State of Hawaii. It was only a few years ago that the State of Hawaii raised the tax on these tobacco products to 70% of the wholesale cost of the product from the distributor. Changing this tax to \$3.20 per ounce is a 104% increase of the current tax which is unprecedented and blatantly unfair to the people who choose to use these products for individual consumption.

Based on the math here and looking at today's wholesale cost of products like Copenhagen moist tobacco, I will have to raise the retail on these products at least 30% to realize the same profit level that I have in this business today. I believe with all of the tobacco tax increases we have had over the past (10) years people who engage in tobacco use and consumption pay more than their fair share in supporting our government programs here in the State of Hawaii.

People who use tobacco for personal consumption have conformed to all of the rules imposed over the years on where and how this product can be used. Retailers like me who adhere to the laws governing the sale of tobacco have done so willingly and to the letter of the law. I think it's time for the folks who use tobacco within the law and who pay the current taxes imposed should be considered when legislation like this is imposed. Retailers who engage in this business legally because our customers request these products should be considered as well.

There are those in our community who want the taxes on these products to go up exponentially as it creates a more lacerative black market through internet sales and through folks who sell tobacco as contraband because the gain far exceeds the risk. Honest tobacco users and retailers of tobacco products are the ones who are hurt by this type of taxation as we are not part of this criminal element who engage in this developing black market.

It is unfair that tobacco is always the product that gets the tax hit because there is no perceived opposition to the tax increases. It's my opinion that there is a point of diminishing returns when higher and higher taxes are imposed on tobacco. I believe we're at this point where the higher tax coupled with decreased sales will make the revenue derived less than anticipated and may even start to show a negative trend as unit sales fall. This is something we need to avoid as this is not good business.

In conclusion though I don't use tobacco per se I do engage in the business. I believe in paying our fair share when it comes to taxation of this product but when the taxation becomes punitive I need to take a stand. Please reconsider the detrimental effects of this taxation when debating this bill today. Mahalo for allowing me to comment.

Kim A. Robello
Merchandising Manager
Minit Stop Stores

Date: April 1, 2013

LATE

Honorable Chairperson and Members of the Committee:

I am writing to you today in opposition of SB492. As a citizen of this state, and a smoker, I am horrified that my representation believes that taxing any good an additional 100% or more, when it is already being taxed at 70% of the wholesale price, is responsible government.

This issue is cyclical in nature. The higher the taxation on tobacco products (which never seems to include large cigars interestingly enough), the less inclined people are to smoke; but if fewer people smoke, the revenue generated for the state is significantly decreased, leading to another tax increase on tobacco products to make up for the lost income.

Now, some of you may address this as a “public health issue”, but it is already illegal to smoke in bars, restaurants, within 20 feet of any public enclosed area, and as of recent, it is also illegal to smoke in any public housing area. It seems that the government has dealt with the “public” part of the issue and is now trying to control the personal choices of its citizens through outlandish taxation.

Any legislation regarding tobacco should not be passed as flippantly as it has been in the past. We have already had a 1500% tax increase on tobacco since 1998, in 2010 smokers in Hawaii paid \$185 million in taxes, and still you wish to increase our taxes. I do not believe that any demographic should be singled out to be overtaxed and treated like pariahs by the government for legal activity.

Thank you for your time and consideration on this issue.

Aloha,

Charmaine K. Omura

Zip Code: 96819

FINTestimony

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Monday, April 01, 2013 7:51 AM
To: FINTestimony
Cc: antonchris10@gmail.com
Subject: *Submitted testimony for SB492 on Apr 1, 2013 14:00PM*

SB492

Submitted on: 4/1/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Chris Anton	Individual	Oppose	No

Comments:

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FINTestimony

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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 31, 2013 8:08 PM
To: FINTestimony
Cc: makule@maui.net
Subject: Submitted testimony for SB492 on Apr 1, 2013 14:00PM

SB492

Submitted on: 3/31/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Bill Medeiros	Individual	Oppose	No

Comments: While I support taxing tobacco products and continuing to limit the use of these products to adults, I do not support taxing these products based on wholesale value. First of all, cigarettes and little cigars are already taxed per item, therefore, in order to have a consistent tax policy, all ready-made tobacco products should be taxed per item, as well. Loose tobacco should be taxed by weight. Secondly, health issues are tied to the amount of tobacco products used, regardless of price, therefore, there is no rational nexus between health issues and wholesale price. A flat tax across the board is fairer and more accurately reflects actual tobacco use. Thirdly, cheaper products are more attractive to new smokers - few people's first car is a Mercedes, and it's the same with tobacco products - taxing based on wholesale value shifts the tax burden to non-entry-level tobacco products. And finally, a reasonable per item tax, such as 50 cents per item, makes local retailers who sell only to adults more able to compete against other sources of tobacco products. This enhances tax collections and protects local business and jobs. Thank you for the opportunity to submit testimony on the matter.

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FINTestimony

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 31, 2013 6:23 PM
To: FINTestimony
Cc: mikepalcic@gmail.com
Subject: Submitted testimony for SB492 on Apr 1, 2013 14:00PM

SB492

Submitted on: 3/31/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Michael G. Palcic	Individual	Oppose	Yes

Comments: Aloha, I come before you today to oppose this and any tax increase whatsoever. Government now expends far too great a share of our state's income. Too great a share of our working population is employed by government. Our bloated bureaucracies are wasteful in the extreme. Huge grants to our government workforce have accrued a massive liability. The discipline that needs to be imposed by our legislature is one of restraint of spending, one of reducing spending, not one of invading taxpayers wallets by every conceivable method. Please vote NO on this and all tax increase proposals. Thank you VERY much.

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FINTestimony

LATE

From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 31, 2013 2:09 PM
To: FINTestimony
Cc: tai1983@gmail.com
Subject: Submitted testimony for SB492 on Apr 1, 2013 14:00PM

SB492

Submitted on: 3/31/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Tai	Individual	Comments Only	No

Comments: Please consider the amendment proposed by the Hawaii Cigar association; adding a premium cigar definition, and having a flat rate tax of \$.50 applied to cigars meeting the definition of a premium cigar. Mahalo, Tai Erum

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FINTestimony

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From: mailinglist@capitol.hawaii.gov
Sent: Sunday, March 31, 2013 8:04 PM
To: FINTestimony
Cc: tabraham08@gmail.com
Subject: Submitted testimony for SB492 on Apr 1, 2013 14:00PM

SB492

Submitted on: 3/31/2013
Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Troy Lopaka Abraham	Individual	Support	No

Comments: I support the taxation and legalization of marijuana in Hawaii

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FINTestimony

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, April 01, 2013 10:14 AM
To: FINTestimony
Cc: charmaine.k.omura@gmail.com
Subject: Submitted testimony for SB492 on Apr 1, 2013 14:00PM

SB492

Submitted on: 4/1/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Charmaine Omura	Individual	Oppose	No

Comments: I oppose SB492.

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FINTestimony

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, April 01, 2013 10:13 AM
To: FINTestimony
Cc: sbrooks@hawaii.rr.com
Subject: Submitted testimony for SB492 on Apr 1, 2013 14:00PM

SB492

Submitted on: 4/1/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Steven Brooks	Individual	Oppose	No

Comments: I oppose SB492.

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FINTestimony

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, April 01, 2013 10:12 AM
To: FINTestimony
Cc: deetakara@hawaii.rr.com
Subject: Submitted testimony for SB492 on Apr 1, 2013 14:00PM

SB492

Submitted on: 4/1/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Dee Takara	Individual	Oppose	No

Comments: I oppose SB492.

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FINTestimony

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, April 01, 2013 10:11 AM
To: FINTestimony
Cc: hia_airport@yahoo.com
Subject: Submitted testimony for SB492 on Apr 1, 2013 14:00PM

SB492

Submitted on: 4/1/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Glenn Feiteira	Individual	Oppose	No

Comments: I oppose SB492.

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FINTestimony

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Sent: Monday, April 01, 2013 10:10 AM
To: FINTestimony
Cc: desa@excite.com
Subject: Submitted testimony for SB492 on Apr 1, 2013 14:00PM

SB492

Submitted on: 4/1/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Debra Lee	Individual	Oppose	No

Comments: I oppose SB492.

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FINTestimony

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From: mailinglist@capitol.hawaii.gov
Sent: Monday, April 01, 2013 10:26 AM
To: FINTestimony
Cc: konaKing@live.com
Subject: Submitted testimony for SB492 on Apr 1, 2013 14:00PM

SB492

Submitted on: 4/1/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Jeff Stevens	Individual	Oppose	No

Comments: Lower the tax, don't increase it!

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SB492

Submitted on: 4/1/2013

Testimony for FIN on Apr 1, 2013 14:00PM in Conference Room 308

Submitted By	Organization	Testifier Position	Present at Hearing
Carol kozlovich	Individual	Support	No

Comments: Thank you for the opportunity to submit testimony in support of SB 492, SD2, HD1. This bill raises the taxes on other tobacco products to achieve parity between cigarette taxes and other tobacco products (OTP). Raising the tax on OTPs will result in less people using smokeless tobacco and would eliminate roll your own stores offering cigarettes at half the price of retail stores. Campaign for Tobacco-Free Kids recommends Hawaii OTP tax be charged at 102% of the wholesale price AND to set a tax equal to \$3.20 per .65 ounces for roll-your-own tobacco and any loose tobacco meant for smoking in order to achieve tax parity with cigarettes (\$3.20 per pack). Youth are more sensitive to prices than adults. Increasing the tax on these other tobacco products is an additional disincentive for youth to use tobacco products. As cigarette tax increases, smokers will look towards quitting or they will find cheaper means to continue using tobacco. We must be sure taxes on all tobacco products are equitable so that those who are addicted to nicotine will quit. More smokers quitting, means less cost to our state in tobacco-related medical expenses. I also ask that you earmark a portion of the tax for tobacco cessation and prevention programs. As we encourage tobacco users to quit, we must provide tobacco treatment for them. Thank you for the opportunity to provide testimony in support of this measure.

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